

DRAFT PROPOSITION CONCERNING CVP/SWP INTEGRATED OPERATIONS

I. Introduction

This Draft Proposition has been jointly developed by representatives of the United States Bureau of Reclamation (“Reclamation”), California DWR of Water Resources (“DWR”), Central Valley Project (“CVP”) contractors and State Water Project (“SWP”) contractors to present a proposal to their respective agencies, contractors, and other interested parties concerning future integration of CVP and SWP operations to maximize water supplies for the benefit of both CVP and SWP contractors that rely on water delivered from the Bay-Delta in a manner that (1) will not impair in-Delta uses, and (2) will be consistent with fishery, water quality and other flow and operational requirements imposed under the Clean Water Act Endangered Species Act, the Central Valley Project Improvement Act and the CALFED Record of Decision.

II. The Proposition

1. Conveyance.

The SWP will use its pumping facilities to help the CVP convey up to 100,000 acre-feet of CVP Level 2 water to wildlife refuges in the San Joaquin Valley.

- a. Beginning with the 2004 water year, and thereafter until the SWP Banks Pumping Plant becomes operational at 8500 cfs (“8500 Banks”), the SWP will convey 50,000 acre- feet of Level 2 refuge water at the Banks Pumping Plant. The water will be conveyed prior to September 1; provided, however, if such delivery schedule adversely impacts SWP deliveries, such water may be conveyed after August 31, but only to the extent necessary to avoid the adverse impact, and at least 50 percent (25,000 acre feet) will be conveyed prior to September 1, and the entire quantity will be conveyed by October 31.
- b. Beginning when 8500 Banks becomes operational, and thereafter for the term of this proposition, the SWP will convey 100,000 acre-feet of Level 2 refuge water at the Banks Pumping Plant. The water will be conveyed prior to September 1 of each year.

2. North-of-Delta Accounting Adjustments.

The CVP will provide up to 75,000 acre-feet of its water supplies to reduce SWP’s obligation to comply with Bay/Delta water quality and flow requirements.

a. Beginning when 8500 Banks becomes operational, and thereafter for the term of this proposition, the CVP will, through adjustments in the accounting of responsibilities described in article 6 of the Coordinated Operations Agreement, provide up to 75,000 acre feet of water to meet in-basin requirements of the SWP. The quantity to be provided shall be determined by multiplying the percentage allocation of CVP supply to the CVP South-of-Delta agricultural water service contractors that receive water from the Tracy Pumping Plant by 1,000 acre feet. Such amount shall not exceed 75,000 acre feet.

b. Beginning with the 2004 water year, and thereafter until 8500 Banks becomes operational, the amount to be provided shall be one-half the amount calculated under paragraph 2(a) above.

c. On or before February 15 and each month thereafter the CVP and SWP operators shall meet to develop or update a plan for making the accounting adjustments required to implement subparagraphs (a) and (b). If CVP South-of-Delta agricultural water service contractors' water allocations change after February 15, the plan will be adjusted accordingly.

3. Sharing of Benefits Prior to Banks 8500 Becoming Operational

These sharing arrangements will be phased in gradually as the SWP's expanded pumping facilities become available.

a. DWR and Reclamation expect that the SWP will derive substantial benefits of increased pumping at the Banks Pumping Plant.

b. The parties will cooperate to achieve full operation of Banks 8500 as quickly as possible.

c. If the benefits expected from Banks 8500 are delayed, the parties will revisit the transition of benefits from paragraphs (1)a to (1)b and transition of benefits from paragraph (2)a to (2)b, and make appropriate adjustments.

4. Fisheries and the Environmental Water Account

The parties support continuation of the EWA as part of this Proposition.

a. Reclamation, DWR and their respective contractors support continuation of the Environmental Water Account ("EWA") for the purposes described in the CALFED ROD, and as part of a package of projects described in the OCAP, including Banks 8500, operable barriers, and the Intertie. DWR,

Reclamation, and their respective contractors propose to develop in cooperation with the management agencies a plan for the continuation of EWA.

b. The plan should include:

- Mechanisms to assure future policy decisions about the size and use of EWA assets are based on best scientific information then available;
- Commitments regarding specific assets for use by the EWA management agencies;
- A finance plan, including sources of funds to secure capital assets and annual operation and maintenance expenses required to accomplish EWA purposes;
- Multi-year EWA commitments for CVP and SWP project operations; and
- Other features as mutually determined by the Management Agencies and Project Agencies.

5. Water Quality Issues

a. Reclamation, DWR, the SWP Contractors and the CVP Contractors recognize that a fundamental objective of the CALFED Program is improving Delta water quality. Therefore, in addition to mitigating the water quality and other environmental impacts that might result from the new facilities or increased capacity of existing facilities, including the SDIP, contemplated by this proposition, implementation of the proposition must be accomplished in coordination with a balanced CALFED Program that includes projects to improve water quality, including drinking water quality.

b. Examples of potential projects consistent with the CALFED Program that would improve Delta water quality include:

- Relocation of agricultural drains in Rock Slough, Old River, and other areas to eliminate degradation of water quality resulting from the local drainage in the vicinity of CCWD's Delta intakes (an existing CALFED ROD project)
- Relocation of drinking water intakes to Middle River
- Upstream source control
- Revised reservoir operations that address water quality and the movement of water
- Water quality exchanges and treatment technology improvements
- Potential improvements in through-Delta conveyance that address water quality and the movement of water. Through-Delta conveyance including changes in Delta Cross Channel operations, a through-Delta facility and levy modifications at Frank's Tract are currently being studied by the CALFED Agencies.

c. These and other actions are being considered in the CALFED Drinking Water Subcommittee and DWR, Reclamation, and their respective contractors support the timely implementation of programs that fully meet CALFED water quality goals.

d. Coordination of CALFED Programs intended to improve Delta water quality with this proposition would include acceleration of those programs, and Reclamation, DWR, the SWP Contractors, and the CVP Contractors will support their acceleration.

6. Phase 8 Split.

Water supplies from the recent "Phase 8" settlement will be shared: 60% to the SWP, 40% to the CVP.

The first right to the benefits of any water made available pursuant to the Phase 8 Short-Term Settlement Agreement shall accrue 60 percent to the SWP and 40 percent to the CVP.

7. Transfers.

The CVP and SWP agree to share their respective storage and pumping facilities cooperatively to the extent possible without impeding existing uses of those facilities.

a. The SWP shall not transfer any CVP Project water pursuant to Article 55 of the SWP contracts if that transfer would reduce joint point capacity available to the CVP to less than 50,000 acre-feet. For purposes of this paragraph, CVP Project water shall not include: (i) Cross Valley Canal water, (ii) water provided to the SWP pursuant to paragraph 2 of this proposition (iii) water made available to the SWP pursuant to the Phase 8 Agreement, and (iv) base supply under CVP Sacramento River settlement contracts. The joint point capacity protection provided by this paragraph is in addition to the conveyance capacity provided under paragraph 1.

b. Subject to other CVP contractual obligations and in a manner consistent with federal and state law, when the Delta is in balance and when consistent with CVP storage operations and priorities, the CVP shall store non-CVP water purchased by DWR or a SWP contractor for later delivery to the Banks Pumping Plant. This storage will not convert the purchased water to CVP Project water. Conveyance of such water at the Banks Pumping Plant shall be as SWP project supply or under Article 55 of the SWP contracts. The storage shall be

provided through contract(s). Storage shall be subject to all applicable fees, and shall be treated as the first water spilled.

8. Upstream Reservoir Coordination

The CVP will make storage “loans” to help make water supply forecasts by the SWP more reliable during drier years when SWP storage is low or uncertain.

- a. When the CVP’s and the SWP’s February 90 percent exceedence forecasts project September 30 SWP storage in Oroville Reservoir to be less than 1.5 million acre feet, and CVP storage in Shasta Reservoir to be greater than approximately 2.4 million acre feet, the SWP may, in order to provide allocations based on a 90 percent exceedence forecast, rely on water stored in Shasta Reservoir.
- b. Should the actual hydrology be drier than the February 90 percent exceedence forecast, the SWP may borrow from Shasta storage an amount of water equal to the amount needed to maintain the allocation made under the 90 percent exceedence forecast, not to exceed 200,000 acre feet.
- c. Storage borrowing will be requested by April 1. Upon the request to borrow storage, Reclamation and DWR will develop a plan within 15 days to accomplish the potential storage borrowing. The plan will identify the amounts, timing, and any limitation or risk to implementation and will comply with conditions on Shasta Reservoir and Sacramento River operations imposed by applicable biological opinions.
- d. Water borrowed by the SWP shall be provided by adjustments in Article 6 accounting of responsibilities in the COA.
- e. The amount borrowed shall be repaid through a COA adjustment in the calendar year following the year in which the water was borrowed, unless the SWP and CVP project operators mutually agree that the repayment may occur over two calendar years without adversely impacting the CVP or its contractors. The accounting of borrowed water will be extinguished if both Shasta and Folsom reservoirs go into flood control operations prior to when the water is paid back.

9. San Luis Reservoir Coordination

The SWP will increase certainty in San Luis Reservoir storage operations to allow higher, earlier allocations to CVP contractors.

- a. At the request of Reclamation, DWR and Reclamation will develop a plan by February 1 to maintain minimum storage in the State share of San Luis Reservoir up to 200,000 acre-feet above dead storage. The plan shall describe any source-shifting or similar strategies proposed to respond to water supply contingencies and the dates by which they must be triggered. Reclamation shall notify DWR whether and the extent to which the SWP shall maintain the minimum storage.
- b. DWR will manage a San Luis Reservoir Coordination Program on behalf of the SWP contractors. If operationally feasible, DWR will secure participation for up to 200,000 acre-feet. All SWP contractors may participate in the program. Participating SWP contractors will execute agreements, providing for the payment by Reclamation of 30 dollars per acre-foot of water, for the amount of water actually shifted. Payback of water must be ensured during the same calendar year.
- c. The parties agree to support identification and implementation of a long-term San Luis Reservoir Low Point Improvement Project, as well as interim or early projects that will reduce the need for actions to maintain the minimum storage pool described in this paragraph.
- d. This provision shall expire on the earlier of the date of completion of the San Luis Reservoir Low Point Improvement Project, or December 31, 2008, unless extended by Reclamation and DWR on an annual basis.

10. OCAP.

The collective operational scheme of the Proposition and other aspects of CVP and SWP operations will be included in proposed revisions to Reclamation's Operational Criteria and Plan ("OCAP").

Reclamation and DWR agree that the OCAP and related biological assessment currently being prepared by Reclamation, in cooperation with DWR, shall include, as additional elements, 8500 Banks and the Intertie Project. Although the Intertie may be constructed to convey up to 900 cfs, the Intertie capacity considered in the OCAP and related Biological Assessment shall not exceed 400 cfs. Neither 6680 Banks nor the Intertie at 400 cfs will be considered new facilities under the COA.

11. Cooperative Use of the Intertie

Both the SWP and the CVP may benefit from the Intertie.

Reclamation and DWR will develop cooperative programs for use of the Intertie by both the SWP and the CVP.

12. Export Uses.

The Proposition represents a potential resolution of areas of conflict between the CVP and SWP.

All North Bay Aqueduct diversion that serve areas outside the Sacramento Basin shall be treated as export uses under the COA. Diversions for the benefit of East Bay Municipal Utility District at Freeport or other locations authorized by its 2001 amendatory water service contract as amended, supplemented, or renewed shall be treated as export uses under the COA.

13. Operational Implementation Process

- a. The purpose of this section is to outline an operational coordination process to increase the likelihood that both the CVP and SWP will be capable of increasing allocations earlier in the year. The success of implementing such a process will be influenced by several factors:

Currently, the operations staff of both Reclamation and the DWR work together to meet specific operational objectives. However, both agencies and their respective contractors can improve conditions through:

- Providing a common information base. Although operational data are shared between the Central Valley Operations (“CVO”) and the Operations Control Office (“OCO”), they are not always compatible or timely. To improve the exchange of information and data, the CVO and OCO will develop mutually agreeable analytical criteria and procedures.
 - Addressing potential impacts due to taking additional risk. It is believed that both projects can benefit from both individual and shared risk taking. However, the project operators attempt to minimize exposure of project contractors to possible loss of water. To fully realize benefits to allocations, actions will have to be developed to offset impacts associated with unlikely events.
- b. To achieve benefits for both the CVP and SWP, the CVO and OCO proposed the following:

- Develop a coordination team. The CVP/SWP operations coordination team will consist of operations staff from both the CVO and OCO, as well as technical staff from both the CVP and SWP contractors. The team will meet on a regular basis to assess overall operational conditions for the CVP and SWP. It will be responsible for identifying opportunities to improve allocations as well as potential risks to such allocations. It will also be responsible for developing contingency plans and making recommendations to management.
- Develop and maintain a common operations information base and tools. One of the first tasks to be completed is to define what information should be developed for each project. A key piece of information will be provided from water demand analyses. Such analyses will enable operators to determine the likelihood that annual deliveries would occur on a set pattern.
- Clearly articulate the overall operational objectives. It is important that operational objectives be communicated to stakeholders and agencies involved in the operations of the CVP and SWP.
- Coordinate operations through the CALFED Operations Coordination Process. The CALFED Ops Group was established by the 1994 Framework Agreement to address coordination of the CVP/SWP operations with CVPIA implementation and fisheries protection. Through the years, the Ops Group process has become an integral part of the overall management of resources in the Delta.
- Develop an annual plan of operations. It is recognized that an operations plan is a dynamic document that changes frequently. The operations plan will include:
 - ✓ An examination of how various actions can improve overall operational efficiency and improve either the timing or magnitude of allocations for both projects.
 - ✓ A contingency plan designed to avoid impacts that may occur from implementation of actions to improve water supply to the projects. An important principle that is to be implemented within the contingency plan is that funding should be provided by those that benefit from actions covered by the contingency plan.
 - ✓ A forecast of combined CVP/SWP operations. To ensure the highest level of accuracy, the forecast will be developed jointly by the OCO and CVO. The forecast will provide specific information regarding the operation of San Luis Reservoir. Reservoir storage conditions will be determined for both the 90 and 50 percent exceedance conditions and will factor both the

“worst case”¹ and “most likely” CVP and SWP demand schedules for given allocations.

- c. The plan is to be updated at regular intervals, generally monthly

14. Export/Inflow Ratio Issues and Other Restrictions on Exports

- a. Sharing exports when they are constrained by the export-to-inflow (“E/I”) ratio.

This is to document how the OCO and the CVO will operate the SWP and CVP export facilities to comply with the E/I ratio.

1. During excess Delta conditions when the E/I ratio is restricting exports:
 - Each project may export at its maximum amount allowable. If one project is exporting at a higher level than the other, it will reduce its pumping rate to comply with the applicable E/I Ratio. If the pumping by each project is equal, they will share the reduction in exports to comply with the E/I ratio at or below the standard.
 - If one project chooses to release water from its upstream storage to support additional pumping when the E/I Ratio is controlling, then that project will be given the benefit of the additional release if it can demonstrate that it is making additional releases for the explicit purpose of increasing its Delta pumping, (i.e. these additional releases are not being made for flood control or instream temperature requirements).
 - If one project has filled its share of San Luis Reservoir and any EWA debt in the Reservoir has been extinguished, that project will reduce its pumping share so as to not encroach into the other project’s storage and to allow the other project to export additional water (up to its maximum capacity) to fill its share.
2. During balanced or “near” balanced Delta conditions when the E/I Ratio is restricting exports, the COA accounting will be used to determine the sharing between the CVP and SWP exports and upstream release requirements. Reclamation and DWR will develop a definition for “near” balanced conditions and an equation for calculating the sharing.
3. During balanced conditions if each project wants to transfer storage for exports in amounts that when combined would exceed the E/I ratio, Reclamation and DWR will develop a plan to apportion the exports

¹ The “worst case” is the allocation that is disaggregated based upon submitted schedules by the contractors.

that considers the capability of each project to re-operate to effectively offset reductions in exports by increases at a later date.

b. Principles on addressing effects of new exports on existing operations

1. Increased exports could affect existing operations in many ways. In such cases, the project that exercises the increased exports will be responsible for offsetting its effects. Some examples of how new exports (i.e. 8,500 Banks) may affect existing operations are summarized below:

- Additional export capability will allow one project to export more water during excess conditions and accelerate the transition from excess to balanced conditions.
- The incremental carriage water requirement will increase.
- Balanced conditions may be extended further into the fall or winter.
- Antecedent conditions associated with complying with various water quality standards, including X2, may require an increase in Delta outflow needs when operations are managed to comply with such standards.

2. In order to address potential effects on existing operations, Reclamation and the DWR will develop a process in coordination with the CVP contractors and SWP contractors. The process will:

- Establish a technical team that consists of operations staff from both agencies plus technical staff from the CVP contractors and SWP contractors.
- Develop a procedure to determine the water requirements associated with the additional exports and a method to compensate the affected projects.

15. Term.

This proposition may be terminated upon 1 year's written notice by either DWR or Reclamation to the other after a period of 10 years. The parties shall review the proposition and evaluate its performance 5 years from the date of its approval.

16. Modification

If the projects and activities described in these principles are not implemented to the expectations of the parties, the parties agree to review the proposition and modify as appropriate.

17. Consistency with Existing Law.

The parties recognize that any agreement(s) resulting from this proposition must be implemented consistent with state law, federal law, including but not limited to the Anti-Deficiency Act, and contractual obligations of both projects.

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